

# South Carolina Board of Economic Advisors

## Statement of Estimated State Revenue Impact

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**Date:** February 10, 2009

**Bill Number:** S.B. 238

**Author:** McConnell

**Committee Requesting Impact:** Senate Finance Committee

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### Bill Summary

A bill to amend the Code of Laws of South Carolina, 1976, by adding Section 12-36-2647 so as to provide that the sales, use, and casual excise tax revenues in a fiscal year from the sale, use, or titling of a vehicle required to be registered and licensed by the South Carolina Department of Motor Vehicles must be credited to the State Highway Fund and an equal amount of non-state tax source State Highway Fund revenues transferred to the South Carolina Transportation Infrastructure Bank to provide for the use of these revenues; and to amend Section 11-43-160, as amended, relating to revenue sources of the South Carolina Transportation Infrastructure Bank, so as to include the revenues derived pursuant to Section 12-36-2647 as added by this Act.

### REVENUE IMPACT <sup>1/</sup>

This bill would reduce General Fund sales tax revenue by \$68,640,000 and increase the State Highway Fund in the Department of Transportation by \$68,640,000 in FY2009-10.

### Explanation

This bill would add Section 12-36-2647 to allow the sales, use, and casual excise tax revenues derived from the sale of a motor vehicle to be redirected from the state public school building fund and credited to the State Highway Fund. The sales tax paid by a purchaser of a motor vehicle is the lesser of five percent up to a maximum of \$300 per motor vehicle pursuant to Section 12-36-2110(2) of the Code of Laws, 1976. Based upon the Board of Economic Advisors' maximum sales tax cap model, the amount of General Fund sales and use tax revenue collected from the \$300 sales tax cap on the sale of motor vehicles in the State is an estimated \$85,800,000 in FY2009-10. The five percent sales and use tax on the sales of motor vehicles is divided into two components. The four percent component is allocated to the state General Fund. The one percent component is allocated to the Education Improvement Act (EIA) fund. This bill would allow the four percent component of the sales tax, pursuant to Sections 12-36-2620(1) and 12-36-2640(1), from the sales of motor vehicles to be credited to the State Highway Fund. The EIA Fund would not be affected by changes in this bill. The revenues must be used exclusively for highway, road, and bridge maintenance. In FY2009-10, of the estimated \$85,800,000 of sales and use tax revenue collected from the sales of motor vehicles, General Fund sales and use tax revenue amounts to \$68,640,000 and EIA fund revenue amounts to \$17,160,000. This bill would reallocate \$68,640,000 of General Fund sales tax revenue to the State Highway Fund within the Department of Transportation in FY2009-10.



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**Analyst:** Martin

<sup>1/</sup> This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.